

NATIVE AMERICAN BANKING FORUM

Office of the Comptroller of the Currency

Presentation

THE NATIVE AMERICAN LENDING STUDY

*“ACCESSING CAPITAL
&
CAPACITY BUILDING”*

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KEYPOINTS

- Congressionally Mandated
- Stake Holders (Tribal, Federal & Private)
- Progress (Regional Workshops)
 - Number of Regions Covered 10
 - Number of Regional Co-Sponsors 14
 - Number of Workshops 13
 - Percent of Participants
 - Tribal Sector 43%
 - Private Sector 24%
 - Federal, Public & Nonprofit Sector 33%
- Identified 17 National Key Barriers

FINDINGS

Legal Infrastructure Barriers

- Inadequate Tribal Commercial Laws and Regulations
Government Operations

Government Operations

Uncertainty Generated by Changes in Tribal Government Leadership
Cumbersome, Conflicting, or Inefficient Federal or State Programs and Regulations

Economics Barriers

- Limited Use of Trust Land as Collateral
- Lack of Capital, Collateral, and/or Credit Histories
- Lack of Networking

FINDINGS cont.

Financial and Physical Infrastructure

- Lack of Financial Institutions on or Near Indian Lands
- Lack of Physical and Telecommunications Infrastructure

Educational and Cultural Barriers

- Lack of Knowledge or Experience with the Financial World on the part of Tribes
- Failure of Lenders and Investors to Understand Tribal Government or Legal Systems
- Poor understanding of Tribal Sovereignty and Sovereign Immunity

RECOMMENDATIONS

Financial Institutions Actions

- Develop a Local Presence on Reservations Through Branch Offices
- Develop Models of Managing Risk, that will Address Non-traditional Profiles
- Provide Capacity Building Technical Assistance
- Work with Tribes to Develop New Financial Products Tailored to their Particular Needs

Tribal Actions

- Develop Tribal Legal Systems and Commercial Guidelines for Business Development
- Develop and Adopt Commercial Zoning and Planning Codes
- Adopt Rules Clarifying Sovereign Immunity in Commercial Transactions

Federal Actions

- Maintain Investments in Physical, Utility and Telecommunications
- Facilitate the Creation of a Public-Private Equity Investment Fund
- Support Funding for Training and Technical Assistance
- Facilitate Linkages to Financial Markets

CDFI FUND SET ASIDE FOR TA AND TRAINING

PROGRAM: \$5 Million for Training and Technical Assistance

PURPOSE: To Increase Access to Capital in Native American, Alaska Native and Native Hawaiian Communities

PROGRAM TO:

- Enhance Capacity to Provide Access to Capital and Credit
- Assist Financial Institutions Serving These Communities
- Assist in Establishing Community Based CDFIs

**STRENGTHENING
COMMUNITITES
AND
ECONOMICS**

STRENGTHENING COMMUNITIES AND ECONOMICS: Building Blocks

- Strengthening Legal Frameworks
- Building Institutions
- Accessing Sources of Capital
- Investing in Human Capital
- Economic Diversity

WHAT ARE THE SOURCES OF CAPITAL IN INDIAN COUNTRY?

- Tribal financial resources
- Federal government grants and loans
- Debt capital from banks
- External equity for business investment

Key: External equity investment is the least used form of financing in Indian Country, yet tribes are a part of domestic emerging markets.

INDIAN COUNTRY: An Emerging Market

- Minority population is expected to represent 50% of the U.S. population by 2050
- Native American population has grown 50% faster than the U.S. population in the last 5 years
- Buying power is estimated at \$35 billion in 2001
- Annual estimated revenue is \$34 billion from businesses, trust assets and federal programs
- 115,000 Native American-owned businesses with \$9 billion in sales (1992 Census: includes Hawaiians)

IN CONCLUSION

- Regionalism Works
- Be Inclusive
- Greater Coordination among Stake Holders
- Build towards sustainability